HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Third Quarter 2013

Housing Market Forecast

Figure 1

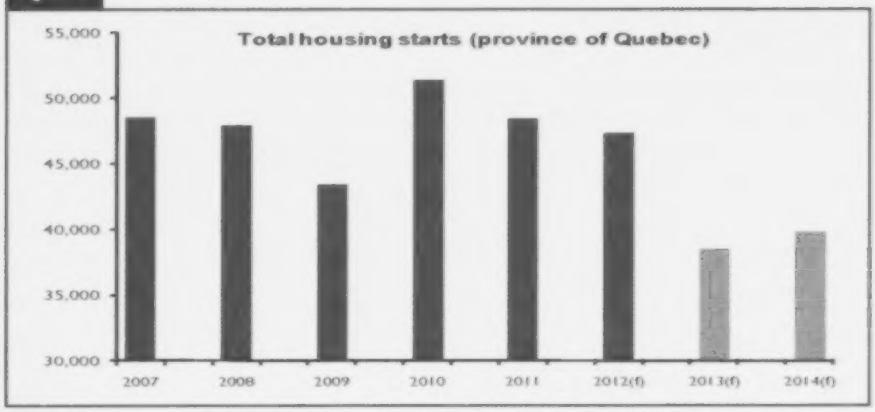
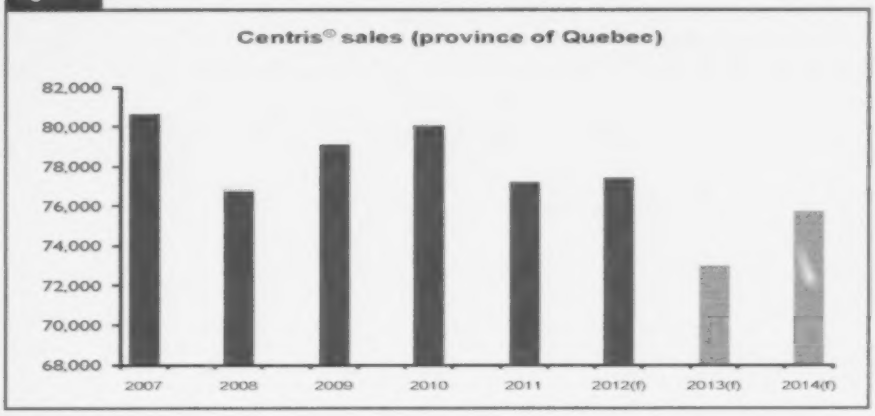


Figure 2



Source: CMHC

Overview

In Quebec, relatively slow economic and employment growth will reduce demand of existing and new homes this year. Easing resale markets and relatively high inventories of new dwellings will significantly lower housing starts in 2013. Nonetheless, demographic trends will support housing demand into 2014, at which time a strengthening economy and tightening resale markets will energize both the resale and new housing markets.

On the economic front, Quebec's labour markets still feel the impacts of a slow recovery south of the border and of more favourable employment prospects in western Canada. While business investment has increased solidly, firms have focused on fixed capital rather than on hiring. For this reason, employment will progress at a relatively slow pace in 2013 and 2014 (1.4 per cent each year). Meanwhile, public and consumer spending have increased moderately, while export levels remained stable. GDP growth of between 1.5 and 2.2 per cent growth is expected during the forecast horizon.

Demographic trends will continue to support the province's housing markets in the next two years. Sustained immigration to the province will still have a positive impact on demand in the rental market, as flows are expected to remain stable over the forecast horizon. Total net migration is expected to reach, respectively, 44,700 and 45,300 persons in 2013 and 2014. While moderating demand from younger households cools first-time buying, population aging will prompt some older households to re-enter the market in response to their evolving housing needs.

Mortgage rates to see modest and gradual increases late in the forecast horizon, but will remain low by historical standards

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014. This interest rate outlook has not changed from the 2013 second quarter Housing Market Outlook and will continue to be supportive of housing market activity over the forecast horizon.

Mortgage rates are expected to increase gradually and steadily over the forecast horizon. By the end of 2014, mortgage rates are forecast to be somewhat higher than in the second quarter of 2013. However, these rates will remain low, by historical standards.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.50 per cent, with an average of 3.12 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent, with an average of 5.25 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range, with an average of 3.44 per cent, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.00 per cent, with an average of 5.62 per cent, consistent with higher economic growth prospects in 2014.

Mortgage rates		
1 Year	Q2 2013	3.05
	Change from Q2 2012	-0.15
	2013 (F)	3.00 - 3.25
	2014 (F)	3.25 - 3.75
5 Year	Q2 2013	5.14
	Change from Q2 2012	-0.20
	2013 (F)	5.00 - 5.50
	2014 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q2 2013 data

In Detail

Single Starts

In 2013, moderate job growth, the continued easing of the resale market, which is expected to attract a greater part of housing demand, and the trend toward multifamily dwelling will contribute to reduce single starts and translate into a total of 13,700 single-detached homes started. In 2014, a tighter resale market will bring some support to the new housing market segment, which is expected to result in 14,100 single starts.

Multiple Starts

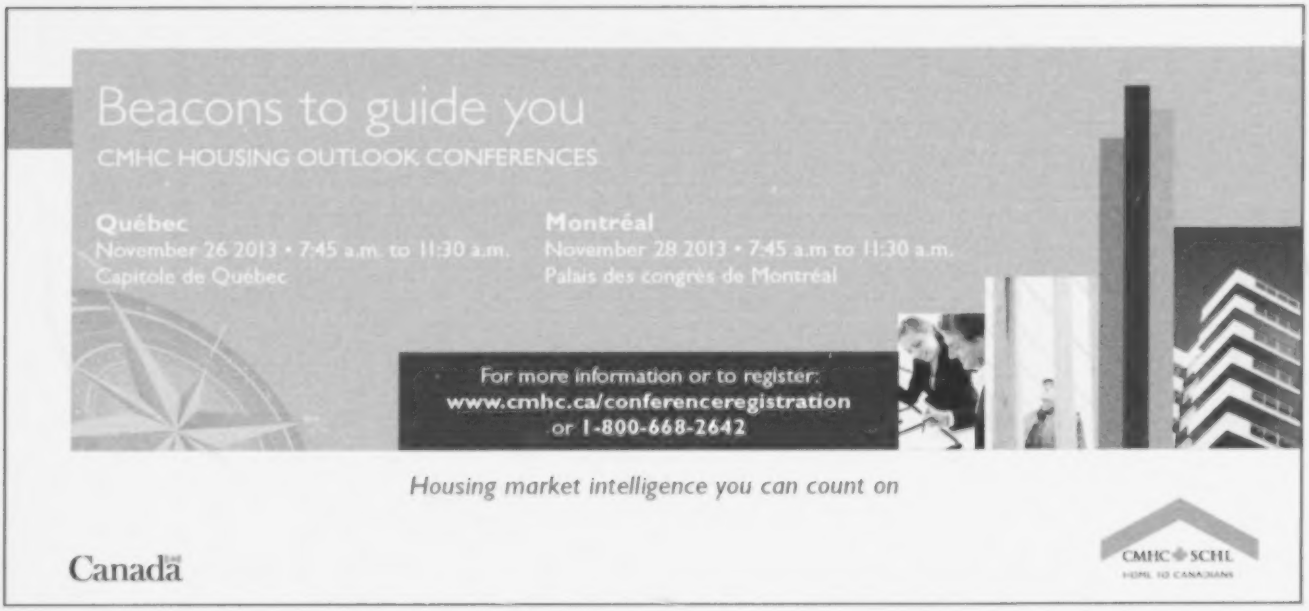
The trend toward the multi-family market segment is explained by its relative affordability, the changing needs of an aging population and by densification trends. Fuelled by the popularity of condominium apartments, supply in this market segment has increased significantly. As a result of three years of sustained construction from 2010 to 2012, market conditions in this market have eased significantly. Starts of multi-family dwellings will thus decrease considerably this year. Multiple starts will descend below the 25,000 level in 2013 and rise to the 25,700 mark in 2014.

Resales

While holding steady in 2012, sales recorded by Centris® 12have been recently declining as a result of the overall economic context discussed previously. Despite a certain rebound expected in the second half of this year, resales will come in at a lower level this year. For 2013, 73,000 such transactions are forecast. As buying conditions improve, total resales will be back in growth mode next year. In total, 75,700 Centris® sales are forecast for 2014.

Prices

Relatively lower demand for resale homes, combined with rising supply, has taken pressure off price growth in recent quarters and should continue to do so throughout this coming year. With a return to more balanced conditions, price growth in the resale market will continue to moderate in 2013. The average price recorded by Centris® will reach $269,100 in 2013 and $272,000 next year.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Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q2 2013	-2.3	5.8	912.67	Q2 2013	588	152	436	1,259	242,591
	Q2 2012	0.6	6.2	913.74	Q2 2012	1,118	250	868	1,357	242,892
	Change[1]	-2.9	-0.4	-0.1%	% Change	-47.4	-39.2	-49.8	-7.2	-0.1
Montréal	Q2 2013	2.2	8.2	801.33	Q2 2013	4,320	1,044	3,276	12,066	320,525
	Q2 2012	0.4	8.7	802.21	Q2 2012	6,152	1,304	4,848	13,313	323,020
	Change[1]	1.8	-0.5	-0.1%	% Change	-29.8	-19.9	-32.4	-9.4	-0.8
Québec	Q2 2013	-0.2	4.8	846.07	Q2 2013	1,231	357	874	1,909	266,661
	Q2 2012	3.8	5.2	815.29	Q2 2012	2,210	465	1,745	2,227	259,512
	Change[1]	-4.0	-0.4	3.8%	% Change	-44.3	-23.2	-49.9	-14.3	2.8
Saguenay	Q2 2013	-4.0	7.5	785.35	Q2 2013	352	126	226	442	187,615
	Q2 2012	10.1	6.3	771.59	Q2 2012	367	169	198	521	192,367
	Change[1]	-14.1	1.2	1.8%	% Change	-4.1	-25.4	14.1	-15.2	-2.5
Sherbrooke	Q2 2013	-1.4	7.4	768.29	Q2 2013	474	157	317	513	210,323
	Q2 2012	-5.5	7.9	707.90	Q2 2012	581	211	370	495	218,306
	Change[1]	4.1	-0.5	8.5%	% Change	-18.4	-25.6	-14.3	3.6	-3.7
Trois Rivières	Q2 2013	-7.6	9.2	740.91	Q2 2013	394	100	294	273	160,230
	Q2 2012	1.5	8.2	768.00	Q2 2012	386	125	261	315	160,726
	Change[1]	-9.1	1.0	-3.5%	% Change	2.1	-20.0	12.6	-13.3	-0.3
Quebec	June 13	1.2	7.9	789.52	Q2 2013	11,421	4,608	6,813	23,079	265,304
	June 12	0.6	7.6	784.44	Q2 2012	15,102	5,375	9,727	24,919	266,083
	Change[1]	0.6	0.3	0.6%	% Change	-24.4	-14.3	-30.0	-7.4	-0.3
Canada[2]	June 13	1.4	7.1	883.72	Q2 2013	51,259	22,490	28,769	145,958	385,487
	June 12	1.1	7.2	862.03	Q2 2012	62,025	24,812	37,213	149,260	373,300
	Change[1]	0.3	-0.1	2.5%	% Change	-17.4	-9.4	-22.7	-2.2	3.3

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).
The Centris® system contains all the listings of Québec real estate brokers.
"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook
(units and percentage change)

	2008	2009	2010	2011	2012	2013(F)	2014(F)	2013Q1	2013Q2	2013Q3(F)	2013Q4(F)
Housing Starts:											
Single	19,778	17,535	19,549	16,554	16,059	13,700	14,100	13,117	13,742	13,800	14,000
%	-10.8	-11.3	11.5	-15.3	-3.0	-14.7	2.9	-13.8	4.8	0.4	1.4
Multiple	28,123	25,868	31,814	31,833	31,308	24,800	25,700	22,809	24,362	26,000	26,000
%	6.6	-8.0	23.0	0.1	-1.6	-20.8	3.6	-23.6	6.8	6.7	0.0
Total	47,901	43,403	51,363	48,387	47,367	38,500	39,800	35,926	38,104	39,800	40,000
%	-1.3	-9.4	18.3	-5.8	-2.1	-18.7	3.4	-20.3	6.1	4.5	0.5
Existing Home Markets:											
Centris® Sales	76,752	79,107	80,027	77,168	77,382	73,000	75,700	70,660	73,252	73,600	74,400
%	-4.8	3.1	1.2	-3.6	0.3	-5.7	3.7	-2.8	3.7	0.5	1.1
Centris® Average Price	215,323	225,369	241,455	261,452	266,473	269,100	272,000	275,843	268,622	265,700	266,800
%	3.8	4.7	7.1	8.3	1.9	1.0	1.1	0.6	-2.6	-1.1	0.4

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

Quebec Region - Housing Forecast Ranges

	2013			2014		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	38,500	39,500	37,500	39,800	44,000	35,600
Multiple	24,800	25,500	24,100	25,700	28,400	23,000
Single	13,700	14,000	13,400	14,100	15,600	12,600
Centris® Sales	73,000	75,600	70,400	75,700	80,400	71,000
Centris® Average Price ($)	269,100	273,200	265,000	272,000	276,100	267,900
Canada						
Housing Starts	182,800	188,500	177,100	186,600	207,600	165,600
Multiple	105,300	108,600	102,000	106,100	117,900	94,300
Single	77,500	79,900	75,100	80,500	89,700	71,300
MLS® Sales	448,900	466,200	431,600	467,600	497,500	437,700
MLS® Average Price ($)	374,800	380,500	369,100	382,800	393,900	371,700

Sources : CMHC

The Centris® system contains all the listings of Quebec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2012	2013(F)*	% chg (2012/2013)	2014(F)*	% chg (2013/2014)	YTD 2013**	YTD 2012**	% chg (2012/2013)
Gatineau	Single-Detached	688	425	-38.2	400	-5.9	194	334	-41.9
	Multiple	2,071	1,125	-45.7	1,200	6.7	505	1,157	-56.4
	Total	2,759	1,550	-43.8	1,600	3.2	699	1,491	-53.1
Montréal	Single-Detached	3,959	3,200	-19.2	3,100	-3.1	1,551	2,045	-24.2
	Multiple	16,632	13,800	-17.0	13,500	-2.2	5,466	7,510	-27.2
	Total	20,591	17,000	-17.4	16,600	-2.4	7,017	9,555	-26.6
Québec	Single-Detached	1,258	1,000	-20.5	950	-5.0	493	678	-27.3
	Multiple	5,158	3,800	-26.3	3,450	-9.2	1,794	2,335	-23.2
	Total	6,416	4,800	-25.2	4,400	-8.3	2,287	3,013	-24.1
Saguenay	Single-Detached	400	355	-11.3	325	-8.5	146	185	-21.1
	Multiple	717	645	-10.0	540	-16.3	362	316	14.6
	Total	1,117	1,000	-10.5	865	-13.5	508	501	1.4
Sherbrooke	Single-Detached	610	500	-18.0	525	5.0	234	318	-26.4
	Multiple	1,131	950	-16.0	1,025	7.9	465	614	-24.3
	Total	1,741	1,450	-16.7	1,550	6.9	699	932	-25.0
Trois Rivières	Single-Detached	305	250	-18.0	225	-10.0	122	155	-21.3
	Multiple	716	575	-19.7	475	-17.4	319	410	-22.2
	Total	1,021	825	-19.2	700	-15.2	441	565	-21.9

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges
** YTD = January - June

Quebec Region Housing Forecast - Resale Market

		2012	2013(F)*	% chg (2012/2013)	2014(F)*	% chg (2013/2014)	YTD 2012*	YTD 2013*	% chg (/)
Gatineau	Centris® Sales[1]	3,865	3,675	-4.9	3,700	0.7	2,320	2,035	-12.3
	Centris® Avg. Price[1]	238,807	243,000	1.8	246,500	1.4	238,915	242,615	1.5
Montreal	Centris® Sales[1]	40,091	37,500	-6.5	40,200	7.2	25,477	21,948	-13.9
	Centris® Avg. Price[1]	321,075	325,000	1.2	328,500	1.1	317,837	320,951	1.0
Québec	Centris® Sales[1]	7,219	7,100	-1.6	7,100	0.0	4,503	3,762	-16.5
	Centris® Avg. Price[1]	257,942	268,500	4.1	278,500	3.7	256,385	267,652	4.4
Saguenay	Centris® Sales[1]	1,450	1,325	-8.6	1,375	3.8	885	750	-15.3
	Centris® Avg. Price[1]	185,623	190,000	2.4	195,000	2.6	186,819	191,844	2.7
Sherbrooke	Centris® Sales[1]	1,784	1,680	-5.8	1,700	1.2	1,079	1,008	-6.6
	Centris® Avg. Price[1]	216,662	217,000	0.2	218,000	0.5	211,063	213,426	1.1
Trois Rivieres	Centris® Sales[1]	1,026	940	-8.4	880	-6.4	624	558	-10.6
	Centris® Avg. Price[1]	154,558	156,000	0.9	157,000	0.6	157,967	158,075	0.1

The Centris® system contains all the listings of Québec real estate brokers.
Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2011-2012

[1] Source for the CMA's : Centris® Statistics, YTD: January to December

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - June

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2012	Oct 2013(F)	Oct 2012	Oct 2013(F)
Gatineau	3.3	4.0	743	760
Montréal	2.8	2.7	711	720
Québec	2.0	2.5	741	755
Saguenay	2.0	2.5	549	565
Sherbrooke	5.0	5.0	578	585
Trois Rivières	5.2	5.5	550	560
Canada	2.8	2.5	n/a	n/a

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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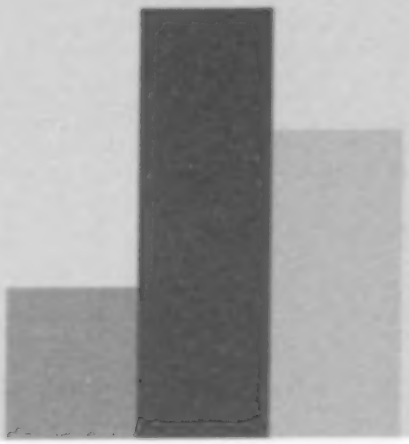

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